



Calgary Assessment Review Board

DECISION WITH REASONS

In the matter of the complaint against the property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

Telsec Property Corporation (as represented by Altus Group Limited), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***I. Weleschuk, PRESIDING OFFICER
R. Deschaine, BOARD MEMBER
B. Jerchel, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of a property assessment prepared by the Assessor of The City of Calgary and entered in the 2013 Assessment Roll as follows:

ROLL NUMBER:	133002402
LOCATION ADDRESS:	3130 114 Avenue SE
FILE NUMBER:	73677
ASSESSMENT:	\$6,800,000

This complaint was heard on 16th day of September, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- M. Cameron
- J. Weber

Appeared on behalf of the Respondent:

- M. Ryan
- L. Dunbar-Proctor

Board's Decision in Respect of Procedural or Jurisdictional Matters:

- [1] The Board noted the file includes a completed copy of the Assessment Review Board Complaint form and an Assessment Complaints Agent Authorization form.
- [2] Neither party objected to the members of the Board, as introduced, hearing the evidence and making a decision regarding this assessment complaint.
- [3] No preliminary issues were raised.

Property Description:

- [4] The subject property consists of three separate buildings on a 1.92 acre parcel located east of the intersection of 29 St SE and 114 Avenue SE in the Shepard Industrial District. The improvements are somewhat unique in that they are single storey offices, with two of the buildings having below level office/warehouse space, as a result of a slope across the property from south to north. All three buildings are assigned an A-Quality rating, and are of similar construction and design, constructed in 2000, 2001 and 2004. The total office space in the three buildings is 18,562 square feet (SF) assessed at \$17/SF, and the below grade office space is a total of 11,862 SF assessed at \$11/SF. Each building is occupied by a single tenant, with the office only building occupied by the owner. The 2013 assessment is \$6,800,000 calculated using the income approach, with the rental rates as indicated, a vacancy allowance of 4% for each space type and a capitalization rate of 6.00%.

Issues:

[5] The parties presented evidence on a number of topics. This Decision will address only the evidence and argument the Board considers relevant to the issues. The Complainant disputed the quantum of the 2013 assessment and raised the following issues.

1. What is the correct rental rate of the office component for assessment purposes?
2. Is the subject assessment equitable?

Complainant's Requested Value: \$5,130,000

Board's Decision:

[6] The Board confirms the 2013 Assessment of \$6,800,000.

Legislative Authority:

[7] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as the amount that a property, as defined in Section 284(1)(r) of the Act might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Section 467(3) of the Act states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations. The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

Issue 1: What is the correct rental rate of the office component for assessment purposes?**Complainant's Position:**

[8] The Complainant confirmed that the only issue in dispute is the rental rate for the above ground office space. The Complainant argued that for the 2013 taxation year, the subject property was classified as an A- Office building, when historically it was classified as a B+ office property. This change in class results in the rental rate being \$17/SF instead of the \$16/SF, which better reflects the market value of this property and is the rate the City is using to calculate the assessment of B+ Office properties. Based on the rental rate, the subject should be classed as a B+ Office building and assessed as such. By applying the B+ Office assessment factors, the requested assessment is \$5,310,000.

- [9] The Complainant presented documents showing that the subject property was previously classed as a B+ Office for the purposes of assessment (page 36-42, Exhibit C1). The Complainant also presented the building permit status for the property (page 43-45, Exhibit C1) showing that there have been no renovations to the property since 2005.
- [10] The Complainant presented a table summarizing the rent roll (page 47, Exhibit C1) showing that one of the existing tenants renegotiated a lease commencing in January 2012 for \$14.00/SF for the entire 13,819 SF of building space. This included both the main level office and below ground warehouse space. Tables presenting A2 and A-Quality SE Suburban Office rental rates were presented (page 56-57, Exhibit C1) to show that the subject rental rate of \$14.00/SF does not fit with the rental rates for this class of office space. The 2013 Suburban Office Rental Analysis: B Quality SE data used by the City to determine the B Quality rental rate of \$16/SF was presented on page 59-61, Exhibit C1. The Complainant pointed out that the subject lease was included in this table, and that the rental rate was more reflective of the rates being achieved by B Quality buildings. This is the data used by the City to derive the \$16/SF rental rate for B Quality buildings.

Respondent's Position:

- [11] The Respondent presented the subject Assessment Request for Information (ARFI) (page 26-30, Exhibit R1) which confirmed the information presented by the Complainant. The Respondent also presented the original and revised 2013 Suburban Office Lease Analysis: A2 and A-Quality SE tables (page 32-33, Exhibit R1) to support the rental rate of \$17/SF.
- [12] The Respondent demonstrated that the subject lease, at \$14/SF was for both the main level office and below grade office/warehouse space, the total building, therefore was not reflective of the market value of the main level office space. The Respondent also indicated that one of the buildings, leased month to month at a rate of \$12.50/SF was owner occupied, therefore not a good indication of the market value of the office space.
- [13] The Respondent stated that the change from B+ Office to A- Office was done so as to maintain equity between the subject and other similar buildings, and that the resulting assessment better reflects the market value of the subject property.

Findings of the Board on this Issue

- [14] The Board heard much evidence related to the historic treatment of the subject property for assessment purposes, specifically about the Quality classification. The Board notes that the municipality is required to prepare an assessment annually (Section 285, MGA) in accordance with the assessment standards set out in Part 1 of Matters Relating to Assessment and Taxation Regulation (MRAT). Each year is a new assessment, and the municipality is allowed to change methodologies, practices and policies from year to year to ensure that the assessments reflect market value. Quality class is merely a tool used by the municipality in preparing the assessment, and is not in and of itself a basis for a complaint under Section 460(5) MGA. The issue is not 'is the subject property in the appropriate Quality class', but rather the issue is whether the assessment is correct, including the factors used to derive that assessment.
- [15] The Board put little weight on the quality classification used in previous years, as that is not relevant to the current assessment.
- [16] The Board notes that with a change from the A+ Quality income approach calculation to a B+ Quality income approach calculation, the rental rate changes from \$17/SF to \$16/SF, but the vacancy allowance also changes from 4% to 8% and the capitalization rate changes from 6.00% to 6.75%. While the Complainant did not dispute the rental rate for the below ground office/warehouse space, the Board notes that a change in class will also result in the vacancy rate and capitalization rate being changed for the office/warehouse portion of the property.
- [17] The Board notes that the subject lease at \$14/SF is a rate that includes both the main level office space and below ground office/warehouse space. The total space in the building is 13,819 SF, which results in a gross annual revenue of \$193,466. It appears that the area of both the upper and lower levels is similar, therefore using the rental rate of \$11/SF for the lower level which the Complainant did not dispute, the revenue generated by the lower level is (6,909 SF x \$11/SF) \$75,999. The difference of (\$193,466 - \$75,999) is \$117,467. The revenue for the main level office space is therefore (\$117,467 ÷ 6,909 SF) \$17.00/SF. This supports the assessed rate of \$17/SF. The Board concludes that a rental rate of \$17/SF reflects its market value.
- [18] The Complainant did not present any evidence to demonstrate what the appropriate vacancy allowance or capitalization rate should be for the subject property. The Board cannot consider changing these factors simply based on the quality classification evidence and argument.
- [19] The Board concludes that the 2013 assessment, calculated using a rental rate of \$17/SF is correct. No other factors used in the 2013 assessment were not in dispute.

ISSUE 2: Is the subject assessment equitable?**Complainant's Position:**

- [20] The Complainant argued that the subject assessment, because of the quality classification, was not equitable. Three equity comparables were presented along with support information (page 66-99, Exhibit C1) to support the argument that the subject was similar to a B+ Quality property.
- [21] In rebuttal (Exhibit C2), the Complainant presented evidence to support its position that the equity comparables presented by the Respondent (page 34, Exhibit R1) were not similar to the subject.

Respondent's Position:

- [22] The Respondent presented a summary table of four equity comparables (page 34, Exhibit R1) with supporting documents to demonstrate that the subject property was similar to A+ Quality office properties.

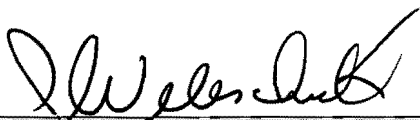
Findings of the Board on this Issue

- [23] The Board considered the equity comparables presented by both parties. The information on each of the equity comparables is limited and not detailed. The purpose of this evidence appeared to be to support the argument related to quality classification, but the Board was not persuaded by the Complainant's evidence. The Board considers the quality classification a tool used by the municipality to assist in the preparation of an assessment, and notes that the Board is required to determine the market value of the property, and whether that market value is fair and equitable.
- [24] The Board concludes that the 2013 assessment is equitable.

Board's Reasons for Its Decision

- [25] The Board confirms the 2013 assessment of \$6,800,000. The rental rate of \$17/SF used to prepare the 2013 assessment reflects the market rent for the subject main level office space. The assessed value is equitable.

DATED AT THE CITY OF CALGARY THIS 2 DAY OF October 2013.



Ivan Weleschuk
Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal Disclosure

An appeal may be made to the Court of Queen's Bench on a question of law or jurisdiction with respect to a decision of an assessment review board.

Any of the following may appeal the decision of an assessment review board:

- (a) the complainant;*
- (b) an assessed person, other than the complainant, who is affected by the decision;*
- (c) the municipality, if the decision being appealed relates to property that is within the boundaries of that municipality;*
- (d) the assessor for a municipality referred to in clause (c).*

An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the decision, and notice of the application for leave to appeal must be given to

- (a) the assessment review board, and*
- (b) any other persons as the judge directs.*

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Subject	Type	Sub-Type	Issue	Sub-Issue
CARB	Office	Low rise	Rental rate – quality classification	equity